

## Message Text

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ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 CEA-01 CIAE-00 COME-00  
DODE-00 FRB-03 H-01 INR-07 INT-05 L-03 LAB-04  
NSAE-00 NSC-05 PA-01 EPG-02 AID-05 SS-15 STR-04  
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FEA-01 /087 W

-----132233Z 053470 /70

R 131856Z JUN 77  
FM AMCONSUL RIO DE JANEIRO  
TO SECSTATE WASHDC 4996  
INFO AMEMBASSY BRASILIA  
AMCONSUL SAO PAULO

LIMITED OFFICIAL USE RIO DE JANEIRO 2699

E.O. 11652: N/A  
TAGS : ETRD BR  
SUBJECT : GOB RESTRICTIONS ON LEATHER EXPORTS

REF: RIO 2307

1. CONGEN RIO DE JANEIRO RECEIVED TELEX 6/1/77 FROM JONATHAN SHAFTMASTER, OWNER IMPORT LEATHER INC., REQUESTING ASSISTANCE IN OBTAINING APPOINTMENT WITH HIGH LEVEL CACEX (CENTRAL BANK BODY WHICH REGULATES IMPORTS AND EXPORTS) OFFICIAL TO DISCUSS GOB BAN ON LEATHER EXPORTS. APPOINTMENT WAS OBTAINED WITH HELIO NICOLAU MARTINS, CHIEF OF THE EXPORT DEPARTMENT AT CACEX, FOR JUNE 13.

2. PRIOR TO CACEX MEETING, SHAFTMASTER, ACCCOMPANIED BY TWO SOUTH AMERICAN BUSINESS ASSOCIATES, MET WITH CONGEN RIO OFFICER TO DISCUSS SITUATION. SHAFTMASTER SAID THAT HIS COMPANY WAS ONE OF THE LARGEST US IMPORTERS OF BRAZILIAN LEATHER AND THAT BRAZILIAN SUPPLIES ACCOUNTED FOR 40 PERCENT OF HIS TOTAL LEATHER IMPORTS (TOTAL PURCHASED BY HIM FROM BRAZIL IN 1976 WAS IN TWO MILLION

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DOLLAR RANGE). SHAFTMASTER THEN STATED GOB BAN MADE LITTLE SENSE BECAUSE DOMESTIC CONSUMPTION HERE AMOUNTED TO MAXIMUM OF 60 PERCENT OF BRAZILIAN TANNERY OUTPUT. HE WENT ON TO SAY THAT SOME OF THE TANNERIES THAT HE BUYS FROM ARE ALREADY LAYING OFF WORKERS AND THAT DOMESTIC LEATHER PRICES HAVE FALLEN BY 20 PERCENT. IN ADDITION, SHAFTMASTER SAID HE WOULD BE UNABLE TO HONOR CONTRACTS SIGNED IN US FOR DELIVERY OF LEATHER

FROM BRAZIL. HE SAID HE WAS UNAWARE OF GOB REQUIREMENTS FOR EXPORTERS TO REGISTER EXPORT SALES CONTRACTS. HE HAD SIGNED CONTRACTS WITH BRAZILIAN TANNERIES IN GOOD FAITH BUT SOME OF HIS BRAZILIAN SUPPLIERS HAD FAILED TO REGISTER THE CONTRACTS (THE BAN DID NOT AFFECT CONTRACTS REGISTERED PRIOR TO THE BAN). IT WAS AGREED THAT CONGEN RIO OFFICER WOULD ACCOMPANY SHAFTMASTER TO CACEX MEETING.

3. AT JUNE 10 MEETING, MARTINS EXPLAINED CIRCUMSTANCES WHICH HAD PROMPTED GOB EXPORT BAN. FIRST, EXPORT REGISTRATIONS FOR JANUARY-APRIL 1977 PERIOD EQUALLED REGISTRATIONS FOR ALL OF 1976. (SHAFTMASTER EXPLAINED LATER THAT UP TO 75 PERCENT OF PURCHASES ARE TRADITIONALLY MADE DURING FIRST HALF OF CALENDAR YEAR AND THAT BRAZILIAN CATTLE SLAUGHTER WAS SIGNIFICANTLY HIGHER IN 1977 THAN IN 1976.) AND, SECOND, THERE HAD BEEN MUCH COMPLAINING ABOUT LEATHER PRICES FROM THE SHOE INDUSTRY BECAUSE OF DRAMATICALLY LOWER SHOE EXPORTS DURING EARLY PART OF 1977 (DOWN 40.6 PERCENT IN VOLUME AND 29.5 PERCENT IN VALUE). MARTINS SYMPATHIZED WITH SHAFTMASTER'S POSITION AND SAID THERE WOULD BE A MEETING WITHIN NEXT TWO WEEKS OF REPRESENTATIVES OF TANNERS, SHOEMAKERS AND GOB TO DETERMINE AN EQUITABLE EXPORT POLICY FOR LEATHER. HE FURTHER STATED THAT IF NEW POLICY STILL DID NOT ALLOW SHAFTMASTER TO HONOR HIS US COMMITMENTS HE, OR A REPRESENTATIVE OF HIS, SHOULD INFORM MARTINS AND AN ACCOMMODATION WOULD BE MADE.

4. AFTER THIS MEETING, CONGEN OFFICER MET WITH SHAFTMASTER'S BRAZILIAN SUPPLIERS WHO HAD BEEN MEETING WITH OTHER CACEX WORKING LEVEL OFFICIALS ON THIS SAME MATTER. THIS GROUP SAID LIMITED OFFICIAL USE

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THEY HAD BEEN TOLD BY CACEX THAT NEW EXPORT POLICY WOULD ALLOW TANNERIES TO EXPORT 25 PERCENT OF 1976 PRODUCTION WITH SOME ADJUSTMENT ALLOWED FOR NEW-TO-EXPORT TANNERIES AND THOSE WHO WERE EXPANDING PRODUCTION CAPACITY.

5. COMMENT: SHAFTMASTER WAS VERY PLEASED WITH MARTINS' STATEMENTS. THE TANNERY OWNERS WERE ALSO PLEASED WITH THE NEWS THEY RECEIVED FROM CACEX SINCE NONE OF THOSE REPRESENTED EXPORTED AS MUCH AS 25 PERCENT OF THEIR PRODUCTION. HOWEVER, SOME BRAZILIAN TANNERS, INCLUDING SOME OF THE LARGEST ONES, EXPORT MUCH MORE THAN 25 PERCENT OF THEIR PRODUCTION. IF 25 PERCENT IS, IN FACT, THE MAXIMUM ALLOWABLE EXPORT PERCENTAGE SOME TANNERS ARE LIKELY TO REMAIN UNHAPPY.

SIMMONS

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NNN

## Message Attributes

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**Channel Indicators:** n/a  
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